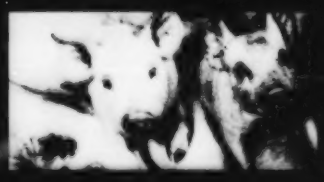

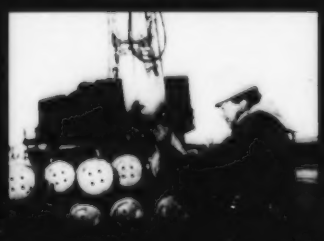

1999 ANNUAL REPORT

SASKATCHEWAN GOVERNMENT
GROWTH FUND II LTD.

SGGF II

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan

Fund Profile & Financial Highlights 1

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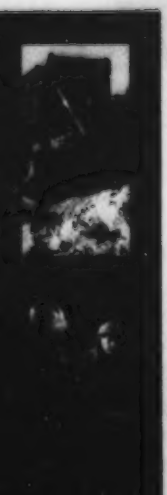


PSC Alaska Inc.

Clearwater Forest Products Inc.

100-05088/

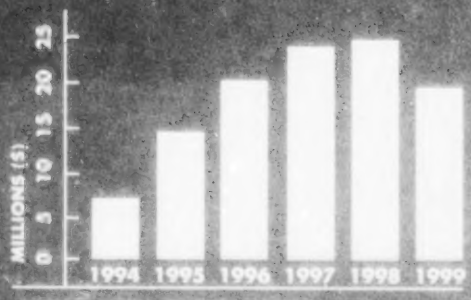
FUND PROFILE

Saskatchewan Government Growth Fund II Ltd. ("SGGF II") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada) as amended and was formed as a vehicle for foreign investors to invest in businesses operating in Saskatchewan. It was also formed to facilitate the Investors' qualification as Canadian permanent residents under the Immigrant Investor Program.

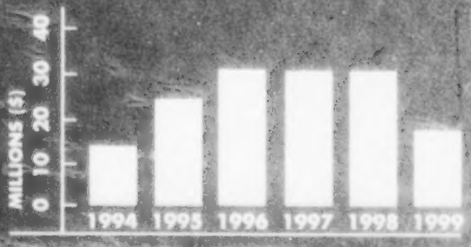
FINANCIAL HIGHLIGHTS

The accumulated deficit in SGGF II at the end of the year was $921,000. This is due to accumulated provisions for unrealized losses. No realized losses have been suffered by the fund to date. While full repayment of all remaining investors is reasonably assured, the timing of repayment may be affected by delays being experienced in liquidating investments.

- During a marketing period that began in 1993, SGGF II raised $31.5 million from 126 investors.
- Repayments to SGGF II investors began in early 1999 and to the end of the year 53 investors had been fully repaid.
- Over $33 million of investments have been made in eligible businesses.



INVESTMENTS OUTSTANDING



OBLIGATIONS TO INVESTORS

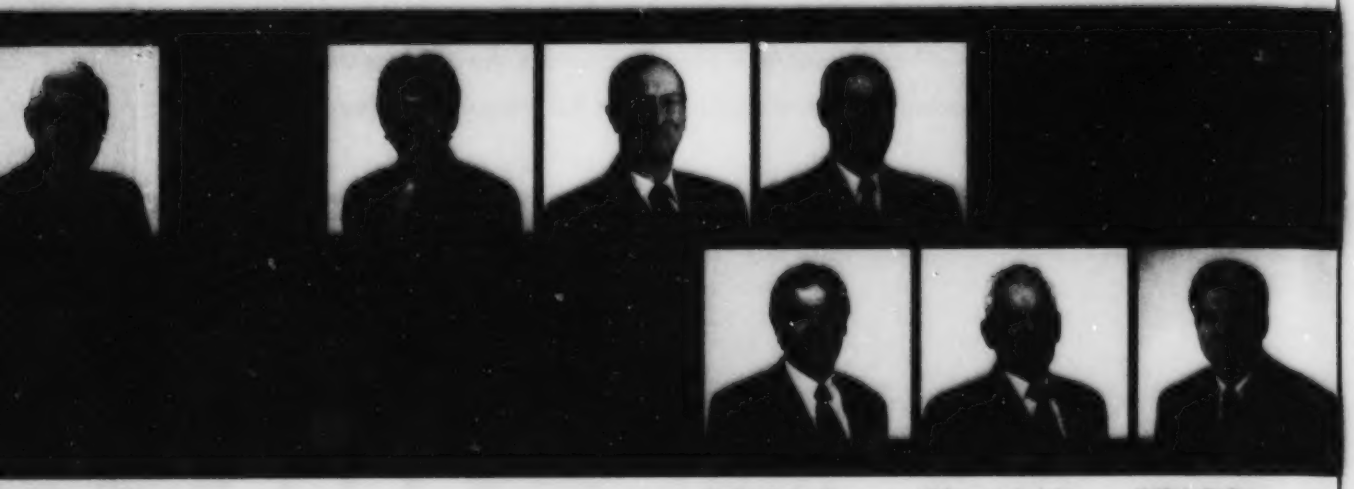
BOARD OF DIRECTORS AND OFFICERS

K. Benson
nt and Director

Joanne M. Forer
Chair

Gerald C. Edwards
Director

John G. Johns
Director



Gordon G. Mertler
Director

Alphonse L. Pasloske
Director

Keith A. Rissling
Director

Points North Digital Technologies Inc. Big Sky Farms Inc.

MESSAGE TO INVESTORS

Continuing depressed commodity prices, particularly in the agricultural sector, have weakened the financial condition of a number of investments held by Saskatchewan Government Growth Fund II Ltd. (SGGF II). As a result SGGF II recorded a loss provision of $1.2 million which turned its otherwise profitable year into a $720,000 loss; the second year in a row for which a loss has been incurred.

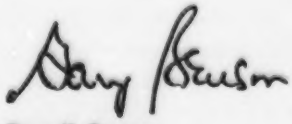
SGGF II repaid $13.25 million to 53 investors in 1999. We had hoped commodity prices would have recovered sufficiently to permit a profitable exit from several of the commodity-sensitive investees. Prices did not rebound as expected so SGGF II was forced to exit some of its other more liquid holdings to meet its redemption obligations.

Two struggling investee companies were forced to seek court protection from their creditors in 1999. Both are in the process of restructuring their financial obligations and are planning to resume operations in the new year.

Because of the challenges being encountered by many of its investees, SGGF II is experiencing difficulty in liquidating its investments on schedule. This may translate into delays in repaying investors when their bonds mature. Nevertheless, we are of the opinion that all investors eventually will be paid in full.

The Board of Directors held a total of 15 meetings during the year, nine of which were in person and six by teleconference. We want to thank board member Gerry Liski, who resigned in 1999, for his contribution during his tenure and we welcome new members, Keith Rissling and Gary Benson. We want to thank the other members of the board, management and staff, and our outside investment mangers for their dedication and effort over the past year.

Joanne M. Forer
Chair



Gary K. Benson
President

The following are company profiles of investments held during 1999, including the approved level of investment and a brief description of their operations.

INVESTMENT PROFILES

Big Sky Farms Inc.
$1,750,000 Loans and common shares

Big Sky Farms operates three 2,400 sow, farrow to finish hog operations in Saskatchewan. These operations are among the largest hog production facilities in the province. The company is currently expanding to other areas of the province.

Canadream Inc.
$3,759,552 Loans

Canadream, headquartered in Calgary, Alberta, has locations in Edmonton, Alberta, Vancouver, British Columbia, and Whitehorse, Yukon Territory. Canadream rents recreational vehicles to predominantly international tourists visiting Canada. Canadream purchases the majority of its rental vehicles from Peak Manufacturing (another former SGGF investee). The company paid off its debt during the year.

Clearwater Forest Products Inc.
$4,546,445 Partnership units and loans

Clearwater Forest Products Inc., previously Pro-Forest Salvage Group Limited Partnership, salvages fire-damaged timber throughout the Saskatchewan forest. The sawmill is located in Meadow Lake, Saskatchewan.

General Environmental
$300,000 Loan

This loan was made to a company associated with Wolverine Resources Inc. (described on page 5).

Lateral Vector Resources Inc.
$1,225,000 Common shares

Lateral Vector is a Saskatchewan-based company located in Regina whose primary emphasis is on international oil projects. The company currently has an active project in the Ukraine. The company's shares trade on the Toronto Stock Exchange.

Points North Digital Technologies Inc.
$815,415 Common shares and loan

Points North Digital, located in Saskatoon, Saskatchewan, is a travel technologies company involved in travel information systems development. The company's shares trade on the Canadian Venture Exchange.

Big Sky Farms Inc.

Big Sky Farms Inc. Clearwater Forest Products Inc. Points North Digital Technologies Inc.

PSC Alsask Inc.

Upton Resources Inc.

621400 Saskatchewan Ltd

PSC Alsask Inc.

$3,119,900 Loans and common shares

PSC Alsask Inc. is located at Alsask, Saskatchewan. The company manufactures potassium sulphate, a specialty fertilizer used in the care of chloride sensitive plants such as citrus trees, tobacco, and golf course greens.

Rocky View Lodge Inc.

$844,400 Loans

Rocky View Lodge is located at Denare Beach, Saskatchewan. The company constructed and operates a tourism facility specializing in offering eco-tourism experiences to its visitors.

Upton Resources Inc.

$5,502,200 Loans and common shares

Upton Resources Inc., a publicly traded (Toronto Stock Exchange) company is engaged in the exploration for and development of crude oil producing properties primarily through the process of horizontal drilling.

Wolverine Resources Inc.

$5,236,037 Loans and common shares

Wolverine Resources Inc. is located in Humboldt, Saskatchewan. The business collects and recycles used oil into a refined product that is sold for use in value added applications.

621400 Saskatchewan Ltd.

(formerly UFR Urban Forest Recyclers Inc.)

$6,375,000 Loan

621400 Saskatchewan Ltd., located in Swift Current, manufactures moulded fibre fruit separators and egg trays for supply to the North American market. The company repaid its loan during the year.

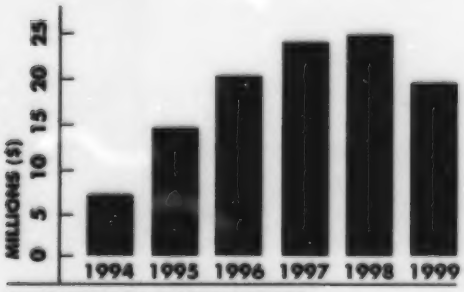
MANAGEMENT DISCUSSION AND ANALYSIS

SCGF II ended the year with an accumulated deficit of $921,000, due entirely to provisions for losses on investments. Approximately one half of the accumulated provision relates to unrealized losses on publicly traded investments while the other half represents a provision for losses that may arise on private placements. No permanent investment losses have been experienced by the fund to date.

Management has instituted an extensive monthly cash flow monitoring exercise in order to identify any timing differences between the planned liquidation of investments and scheduled investor repayments. While full repayment of all remaining investors is reasonably assured, the timing of repayment may be affected by delays being experienced in liquidating investments. Full repayments will continue until management determines that a definite timing problem exists.

Investment Activities

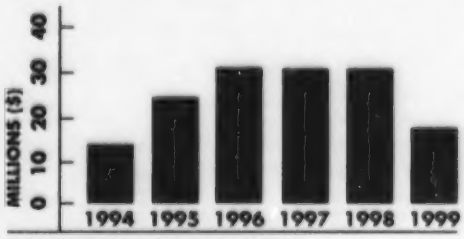
The majority of effort in 1999 was focussed on preparing the investment portfolio for divestment in order to meet investor repayment requirements that began during the year.



INVESTMENTS OUTSTANDING

Divestments during the year totalled $7.3 million (1998 – $1.4 million) and included a significant debt investment of $6.4 million that was repaid. New investment activity was equal to 1998 at $2.3 million.

The Board of Directors of SCGF II approved a total of $2.3 million of investments in 1999. Three were follow-on investments in existing investee companies while one new investment was undertaken. This compares to $1.3 million of approved investments in 1998.



OBLIGATIONS TO INVESTORS

The total portfolio is now at $20 million. The investment mix is 49% debt and 51% equity; a slight change from 1998 levels of 57% debt and 43% equity.

Investment income in 1999 was $711,000, a decrease of $388,000 from 1998. The majority of investment income represents interest earned on the debt investments in the portfolio with small gains resulting from sales of publicly traded securities. Reflecting the conservative accounting policy of SCGF II, income on equity investments is not recognized until it is received and gains on equity investments are only recognized in the statement of operations when the investment is sold.

During 1999 a total of $1.1 million (1998 – $2.9 million) was taken as a provision for future investment losses. This loss provision adjusts impaired investments to their estimated net realizable value and publicly traded shares to the lower of their cost and market value.

In addition to the monthly monitoring of each investment that is carried out, a quarterly portfolio review is performed to identify if there has been impairment in the value of any of the investments. Where impairment is identified, a provision for loss is recorded to recognize the potential for impairment in the carrying value of the investment and any further accrual of income for that investment is discontinued.

Clearwater Forest Products Inc.

Big Sky Farms Inc.

Investor Activities

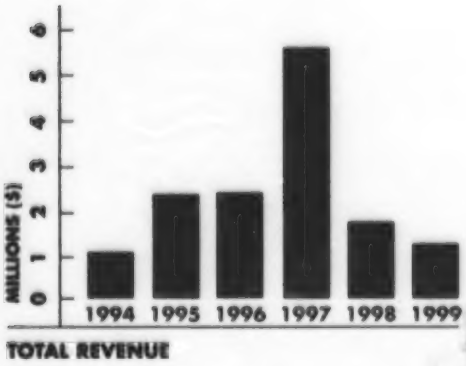
Investor repayments began in February with 53 investors having been repaid in full during the year. The total number of Notes outstanding at December 31 was 71.

As per the requirements of the Confidential Offering Memorandum for SGGF II all of the 71 investors outstanding at December 31, 1999 were paid their 2% bond interest for the year.

An additional 47 repayments to investors are scheduled to occur next year followed by the last 24 in 2001.

Operating Activities

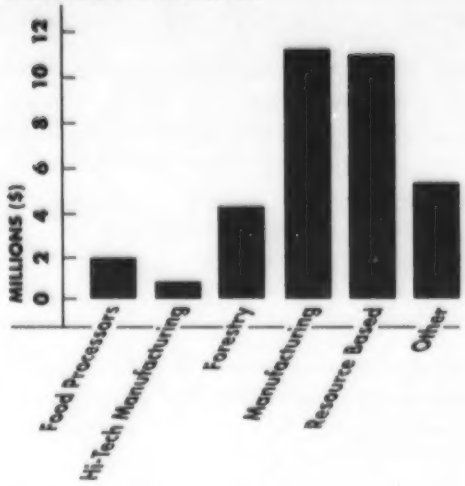
Administration costs in 1999 decreased $187,000 to $252,000, compared to $439,000 in 1998. Included in administration costs are provisions for performance fees payable to our investment advisors under the terms of their respective investment management agreements. These future fees are payable to the investment advisors upon liquidation of their portfolio under management and upon the achievement of certain performance targets. In 1999, $99,000 (1998 – $79,000) of these fees were recovered due to the poor performance of the related investments.



TOTAL REVENUE

Direct charges for the day-to-day administration of the fund were $351,000 for 1999, a decrease of $167,000 from 1998 levels. This cost represents 1.35% of the total assets of SGGF II and is comparable to 1.41% in 1998.

DISBURSED BY INDUSTRY



Year 2000 Issue

During the year management conducted a detailed review of its information systems and undertook to make the modifications necessary to ensure its systems were year 2000 ready. No problems were experienced during the rollover to the year 2000. However, management is not able to determine if all entities that it does business with are year 2000 ready and any problems that this may cause.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Saskatchewan Government Growth Fund II Ltd. have been prepared by management in accordance with generally accepted accounting principles, and necessarily include some amounts based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

Deloitte & Touche, the corporation's independent auditors, have examined the financial statements of the corporation. The scope of their examination and their opinion on whether these financial statements present fairly the corporation's financial position and operating results are given in the Auditors' Report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all financial information is relevant, reliable and accurate and that all transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and ultimately responsible for reviewing and approving these financial statements.

On behalf of management,

Gary K. Benson
President

Mike Marth, CA, CMA
Controller

AUDITORS' REPORT

To the Shareholders and Investors of Saskatchewan Government Growth Fund II Ltd.:

We have audited the Statement of Financial Position of Saskatchewan Government Growth Fund II Ltd. as at December 31, 1999, and the Statement of Operations and Deficit and Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
January 31, 2000

Big Sky Farms Inc.

Upton Resources Inc.

PSC Appal Inc.

Power North Digital Technologies Inc.

Clearwater Forest Products Inc.

Big Sky Farms Inc.

FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund II Ltd.
(Incorporated under The Business Corporations Act of Saskatchewan)
Statement of Financial Position
As at December 31

	[illegible]	[illegible]
Assets		
Cash and cash equivalents (Note 3)	$ 3,967,458	$11,614,618
Accounts receivable and accrued interest	387,861	488,359
Investments (Note 4)	14,477,031	20,479,286
Deferred commissions (Note 5)	165,931	490,818
	$ 18,998,281	**$ 33,073,081**
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities (Note 6)	$ 2,061,597	$2,165,764
Commissions payable	28,000	28,000
Deferred revenue	73,586	73,586
Subscription deposits (Note 7)	5,000	5,000
Obligations to investors (Note 8)	17,750,000	31,000,000
	19,918,183	**33,272,350**
Shareholders' Equity		
Share capital (Note 9)	1,000	1,000
Deficit	(920,902)	(200,269)
	(919,902)	**(199,269)**
	$ 18,998,281	**$ 33,073,081**

Commitments (Note 14)

See accompanying notes to financial statements

On behalf of the Board:

Director

Director

Upton Resources Inc.
621400 Saskatchewan Ltd.

Saskatchewan Government Growth Fund II Ltd.

Statement of Operations and Deficit
For the Year Ended December 31

	1999	1998
Revenues		
Interest from cash and cash equivalents	$ 608,458	$ 755,054
Income from investments	698,820	1,099,723
Other income	27,600	27,694
	1,334,878	1,882,471
Expenses		
Administration (Note 11)	252,036	439,107
Interest on obligations to investors	461,549	620,000
Amortization of commissions	324,886	433,141
	1,038,471	1,492,248
Income before investment losses	296,407	390,223
Provision for investment losses	1,186,580	1,531,326
Allowance for unrealized losses	(169,540)	1,332,186
Net loss	(720,633)	(2,473,289)
(Deficit) retained earnings, beginning of year	(200,269)	2,273,020
Deficit, end of year	$ (920,902)	$ (200,269)

See accompanying notes to financial statements

Saskatchewan Government Growth Fund II Ltd.

Statement of Cash Flows

For the Year Ended December 31

	[illegible]	[illegible]
Cash flows from operating activities		
Net loss	$ (720,633)	$ (2,473,289)
Adjustments:		
Amortization of commissions	324,886	433,141
Provision for investment losses	1,186,580	1,531,326
Allowance for unrealized losses	(169,540)	1,332,186
Net change in non-cash balances related to operations (Note 12)	(3,669)	(175,167)
Cash flows from operating activities	617,625	648,197
Cash flows from investing activities		
Disbursements on investments	(2,336,417)	(2,304,284)
Repayments from investments	7,321,632	1,390,833
Cash flows from investing activities	4,985,215	(913,451)
Cash flows from financing activities		
Repayment of bond subscriptions	(13,250,000)	(40)
Cash flows from financing activities	(13,250,000)	(40)
Net decrease in cash and cash equivalents	(7,647,160)	(265,294)
Cash and cash equivalents at beginning of year	11,614,618	11,879,912
Cash and cash equivalents at end of year	$ 3,967,458	$ 11,614,618

See accompanying notes to financial statements

621400 Saskatchewan Ltd.

PSC Assoc Inc

NOTES TO THE FINANCIAL STATEMENTS

1. Status of the corporation

Saskatchewan Government Growth Fund II Ltd. ("SGGF II") was incorporated in March 1993 under The Business Corporations Act of Saskatchewan and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program. Under this program, SGGF II was established to raise $35,000,000 through a bond offering. Each bond is a 2% unsecured subordinated bond at a cost of $250,000. The marketing of SGGF II closed on May 28, 1995.

Under the terms of the Confidential Offering Memorandum ("Memorandum"), SGGF II is required to invest in Saskatchewan based businesses, which have assets, including associated companies, of less than $35 million.

As stated in the Memorandum, the Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of SGGF II or of a return on an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the debt instruments.

2. Significant accounting policies

Investments

Investments include debt and equity investments in private and public companies. Investments, other than publicly traded shares, are carried at cost. Income from equity investments is recognized when received and income from debt investments is recognized as earned. The fair value of investments in private companies is not determinable and therefore has not been disclosed.

Investments in shares having quoted market values, and which are traded on a recognized exchange, are recorded at the lower of cost and average closing market price for the last 20 business days of the year. Unrealized losses in the value of investments in publicly traded shares are recorded in the Statement of Operations and Deficit, in the allowance for unrealized losses.

Investments are reviewed on a regular basis. Where impairment is identified, the exposure is compared to the estimated net realizable value of the security and, if appropriate, a provision established. An investment is considered impaired when there is no longer assurance of the timely collection of the full amount of principal and income. Income is not accrued for accounting purposes on impaired investments.

There is a clearly demonstrated intention to dispose of the investments in due course. Accordingly, investee companies over which SGGF II has significant influence are not consolidated.

Deferred commissions

Commissions paid or payable on bonds issued have been capitalized and are amortized over five years from date of bond issuance.

Commissions payable

According to the terms of a marketing agreement entered into by SGGF II, a commission is legally payable to the independent marketing agent selling the bond upon the issuance of the investor's immigrant visa.

Deferred revenue

When past due interest is withheld from or immediately paid by an investee as part of a follow-on investment or protective disbursement, and the investee is classified as impaired, the interest is deferred and recognized as investment income when the investee is able to demonstrate the financial ability to pay its interest obligations.

Obligations to investors

Obligations to investors represent the bonds issued to investors of SGGF II. Interest on bonds is accrued at an annual rate of two percent (2%) from the date of the bond issuance. Interest is paid annually on December 31 of each year and at maturity.

3. Cash and cash equivalents

Included in cash and cash equivalents is the following:

	Cost	Maturity Date	Rate	Market Value (at Dec 31) 1999	1998
Province of Saskatchewan Note	$3,000,000	Oct 31, 2000	7.75%	$3,000,000	$3,000,000

4. Investments

	1999	1998
Debt	$9,842,652	$14,204,158
Equity	10,137,179	10,760,888
Provision for investment losses	(2,923,906)	(1,737,326)
Allowance for unrealized losses	(2,578,894)	(2,748,434)
	$14,477,031	$20,479,286

Included in investments are $10,634,934 (1998 – $6,158,686) of impaired investments, net of accumulated provision for losses of $2,923,906 (1998 – $1,737,326), upon which income is not accrued.

Equity investments include publicly traded shares at a cost of $4,139,897 (1998 – $4,477,197), with an aggregate market value of $1,718,065 (1998 – $1,837,776). These are recorded at the lower of cost and average closing market price for the last 20 business days of the year, on an individual basis.

During the year, investments decreased as follows:

	1999	1998
Balance, beginning of year	$20,479,286	$22,429,347
New investments	2,336,417	2,304,284
Repayments	(7,321,632)	(1,390,833)
Provision for losses	(1,186,580)	(1,531,326)
Allowance for unrealized losses	169,540	(1,332,186)
Balance, end of year	$14,477,031	$20,479,286

5. Deferred commissions

Deferred commissions have been recorded net of accumulated amortization of $1,076,569 (1998 – $1,676,682).

6. Accounts payable and accrued liabilities

Included in accrued liabilities is a $1,998,983 (1998 – $2,098,104) provision for future fees payable to various investment advisors under the terms of their respective investment services agreements with SGGF II. These amounts are payable to the investment advisors upon liquidation of their portfolio under management and upon achievement of certain performance targets. A portion of these fees is being held pending resolution of a contingency associated with a divestment. Interest earned on this amount is paid to the investment advisor.

7. Subscription deposits

Subscription deposits are reclassified to obligations to investors upon bond issuance.

8. Obligations to investors

Bonds – 2% unsecured subordinated bonds.

The obligation at December 31 is:

	1999	1998
71 bonds (1998 – 124 bonds)	$17,750,000	$31,000,000

PSC Alaska Inc.

Clearwater Forest Products Inc.

The following is the estimated redemption schedule for bond repayments under the terms of the Confidential Offering Memorandum for the year ended December 31:

2000	$ 10,500,000
2001	7,250,000
	$ 17,750,000

9. Share capital

The authorized common share capital of SGGF II at December 31 is:

Class A common shares – an unlimited number of voting common shares. Holders of the Class A common shares are not entitled to receive dividends.

Class B common shares – an unlimited number of non-voting common shares. Holders of the Class B common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	1999	1998
1,000 Class A common shares	$ 1,000	$ 1,000

10. Financial instruments

SGGF II's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk and liquidity risk. These risk factors may impact upon SGGF II's ability to repay its obligations to investors at maturity.

Market Risk

Market risk faced by SGGF II is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the business in which SGGF II invests. Some of the companies in which SGGF II invests are dependent upon a single product or industry. SGGF II manages these risks through careful due diligence prior to committing funds to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

Credit Risk

Credit risk arises from the potential that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF II restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such investees to meet contractual obligations would be similarly affected by changing economic, political or other conditions. SGGF II conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its investees on an on-going basis. In addition, some investees operate in and export to other provinces or international markets thereby mitigating this risk.

Interest Rate Risk

Interest rate risk reflects the risk that SGGF II's earnings will decline due to fluctuations in interest rates. SGGF II manages this risk through careful monitoring and matching the duration of its short-term deposits and investments with its obligations to investors. By matching the duration of its assets and liabilities, changes in the fair value of short-term deposits and investments will be offset by changes in the fair value of the obligations to investors.

Liquidity Risk

Liquidity risk is the risk that SCGF II will encounter difficulty in liquidating its investments at an amount close to fair value at the time it is required to redeem its obligations to investors. Due to the nature of some of SCGF II's investments, the timing of cash flows from its investments may not exactly match with the payments owing under SCGF II's obligations to investors. SCGF II carefully monitors the duration of its investments. However, these timing differences may require SCGF II to reduce or delay the payments owing on its obligations to investors at maturity.

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Fair Value – Investments

There is no active secondary market for many of the investments in which SCGF II invests, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these investments renders the calculation of a fair value with appropriate reliability impractical. The factors that impact the fair value are described above.

Fair Value – Obligations to Investors

Obligations to investors represent the capital invested by immigrant investors in SCGF II. In addition to earning a nominal return on their capital, their investment in SCGF II helps satisfy a portion of their visa requirements under Canada's Immigrant Investor Program. Each investment in SCGF II is irrevocable, except in the case of a visa refusal, for a period of five years. Therefore, no secondary market for the obligations exists. Due to the unique features associated with obligations to investors, the calculation of a fair value with appropriate reliability is impractical. The risk factors that impact the fair value of investments, as described above, will also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value of investments at that time.

11. Administration

Under the terms of a ten year Management Agreement, expiring in 2003, between SCGF II and the Saskatchewan Government Growth Fund Management Corporation ("SCGF Management Corporation"), SCGF Management Corporation administers the assets of SCGF II with the assistance of various investment advisors to perform due diligence, monitoring and liquidation of investments. SCGF Management Corporation does not guarantee the financial performance of SCGF II. All services provided to SCGF II are charged on a fee for service basis. The breakdown of costs is as follows:

	1999	1998
Investment advisors	$ 3,793	$ 183,798
Wages and salaries	136,870	159,794
General administration	69,026	61,754
Directors' fees and expenses	9,975	20,094
Legal and professional	32,372	13,667
	$ 252,036	$ 439,107

Included in investment advisors is a $99,121 (1998 – $79,072) recovery of future fees payable to various investment advisors under the terms of their respective investment services agreements with SCGF II. These amounts are payable to the investment advisors upon liquidation of their portfolio under management and upon achievement of certain performance targets.

Points North Digital Technologies Inc. Big Sky Farms Inc.

12. Net change in non-cash balances related to operations

	1999	1998
Accounts receivable and accrued interest	$ 100,498	$ (155,356)
Accounts payable and accrued liabilities	(104,167)	(99,397)
Commissions payable	-	6,000
Deferred revenue	-	73,586
	$ (3,669)	$ (175,167)

13. Income taxes

Greater than 90% of the issued shares of SCGF II are owned by a provincial Crown corporation. Therefore, SCGF II is income tax exempt.

14. Commitments

The total amount of investments approved but not yet disbursed is $ 205,520 (1998 – $550,075). As a condition on two of its investments, SCGF II has guaranteed $271,814 (1998 – $271,814) of third party loans to Saskatchewan businesses.

15. Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan government controlled departments, agencies and corporations with which SCGF II is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

As stated in Note 11, SCGF II is under a ten year Management Agreement with SCGF Management Corporation. Total fees paid or payable to SCGF Management Corporation during the year amounted to $351,155 (1998 – $518,180).

A short-term deposit in the amount of $3,000,000 (1998 – $5,000,000) is invested with the Saskatchewan Department of Finance. As at December 31, 1999, the short-term deposit and accrued interest in the amount of $38,324 (1998 – $64,760) has been included in the Statement of Financial Position.

16. Year 2000 issue

The Year 2000 Issue arises because many computer systems use two digits rather than four to identify a year. Date sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than that date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Meadowater Forest Products Inc.
Lipton Resources Inc.
621400 Saskatchewan Ltd.
PSC Alaska Inc.
Points North Digital Technologies Inc.

Clearwater Forest Products Inc.

Big Sky Farms Inc.

HISTORICAL COMPARISON

Saskatchewan Government Growth Fund II Ltd.

Historical Comparison
(in thousands of dollars)

Financial Position

As at December 31

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Assets					
Cash and cash equivalents	$ 16,001	10,782	11,880	11,615	3,967
Investments	14,432	20,451	22,429	20,479	14,477
Other assets	2,188	2,062	2,257	979	554
Total assets	$ 32,621	33,295	36,566	33,073	18,998
Liabilities & Equity					
Other liabilities	$ 610	573	2,287	2,267	2,163
Obligations to investors	31,473	31,255	31,005	31,005	17,755
Equity	538	1,467	2,274	(199)	(920)
Total liabilities & equity	$ 32,621	33,295	35,566	33,073	18,998

Operating Results

For the years ended December 31

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Revenues					
Investment income	$ 945	1,479	5,033	1,100	699
Interest from cash and cash equivalents	1,443	859	581	755	608
Other income	45	111	58	27	27
Total revenue	2,433	2,449	5,672	1,882	1,334
Expenses					
Administration	672	630	2,298	439	252
Financing	1,191	1,069	1,053	1,053	786
Total expenses	1,863	1,699	3,351	1,492	1,038
Income before investment losses	570	750	2,321	390	296
Provision for losses on investments	(288)	(179)	1,514	2,863	1,017
Net income (loss)	$ 282	929	807	(2,473)	(721)

CORPORATE DATA

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Gary K. Benson, President

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Big Sky Farms Inc.

Upton Resources Inc.

SASKATCHEWAN GOVERNMENT GROWTH FUND II LTD.

PCS Alwyn Inc.

Points North Digital Technologies Inc.

Clearwater Forest Products Inc.

Big Sky Farms Inc.